



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 2/4/2004

GAIN Report Number: UP4005

Ukraine

Poultry and Products

February Update

2004

Approved by:

Margaret E. Thursland, Agricultural Attache
U.S. Embassy Kiev

Prepared by:

Oleksandr Tarassevych, Agricultural Specialist

Report Highlights:

Despite rising poultry meat prices, domestic demand steadily increased in 2003. Ukraine's domestic poultry industry continued its rapid expansion while imports surged to nearly record levels. Large investment in domestic production will lead to continued production growth in 2004. U.S. poultry exports have begun to recover from the 2002/2003 import ban. However, prospects for 2004 are uncertain as the avian influenza ban is lifted on EU exports, a subsidy is established for broiler production, and the GOU appears to have already instituted a de-facto internal quota on poultry moving from processing plants in the Free Economic Zones to domestic markets.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Kiev [UP1]
[UP]

Recent Developments

Production

Despite surging feed grain prices, Ukraine's poultry producers continued to increase production in 2003 as rising incomes for the vast majority of Ukrainians led to significant growth in consumer demand. Growth in both demand and domestic production capacity is expected to continue through 2004.

Two major Ukrainian poultry producers, with nearly 60% combined domestic production, continued expanding in 2003 and announced further ambitious plans for 2004. The largest Ukrainian producer -- Myronivsky Khleboproduct -- began a US \$116 million expansion project following approval of a US \$30 million loan from the World Bank's International Finance Corporation.

Trade

Poultry imports for 2003 are currently registered at only 1,000 tons shy of the record high import level of 1997. U.S. exporters were not able to fully benefit from the surge in Ukrainian imports because the U.S. poultry meat import ban remained in effect for the first 9 months of the year.

The Ukrainian veterinary service recently announced the lifting of the ban on poultry imports from Germany, Belgium and the Netherlands. The ban was imposed in Spring 2003 following an outbreak of avian influenza. U.S. poultry exports benefited from the EU ban in late 2003 as European-sourced poultry had supplanted U.S. market share during the 2002/2003 U.S. ban.

Policy Issues

The GOU recently announced a direct subsidy program for domestic poultry producers. While details of the program have not been finalized, it is expected that the direct payment for broilers weighting 2.0-2.4 kg will be 0.3 UAH (US \$ 0.056) per 1 kilogram. The GOU has promised to establish this program in the nearest future. These subsidy payments are in addition to the previously announced initiatives to subsidize poultry breeding programs and to provide the industry with favorable loans. The later measure is intended to support domestic producers in the procurement of high-priced feed grains resulting from Ukraine's disastrous 2003 grain crop.

The GOU is trying every possible angle to limit poultry imports into Ukraine. Extraordinarily high import duties limit legal poultry imports to entry through the Free Economic Zones (see GAIN Report #UP3011). This has encouraged smuggling and other gray market activities as domestic poultry prices are quite high relative to frozen imports. Unable to effectively channel poultry imports to enter only through the Free Economic Zones (FEZs), the GOU continues with plans to impose quotas limiting the quantity of processed product flowing from manufacturers within the FEZs to the rest of Ukraine. Traders report that there is a de-facto quota system already in place that has begun to effectively limit poultry imports. Further protectionist measures seem plausible given the increasing pressure from domestic producers on the GOU to reduce poultry imports.

Statistical Tables

Broiler meat PSD Table, (1000 MT)(MIL HEAD)

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01.2002		01.2003		01.2004
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	15	0	0	0	0
Production	130	136	170	190	190	255
Whole, Imports	2	2	2	2	1	2
Parts, Imports	59	59	40	94	30	50
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	61	61	42	96	31	52
TOTAL SUPPLY	191	212	212	286	221	307
Whole, Exports	3	0	0	0	1	0
Parts, Exports	0	3	1	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	3	3	1	1	1	1
Human Consumption	188	209	211	285	220	306
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	188	209	211	285	220	306
TOTAL Use	191	212	212	286	221	307
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	191	212	212	286	221	307
Calendar Yr. Imp. from U.S.	20	20	10	4	0	40

Poultry imports into Ukraine, MT (HS 0207*)

Country	2000	2001	2002	Jan-Nov 2003
Austria		60	19	300
Belgium	458	3635	22904	14405
Brazil		150		23473
Canada		615	911	2863
Denmark	23	8	1105	3365
France	151	763	1043	1999
Germany	440	1750	6536	11303
Hungary	914	2019	3388	6219
Netherlands	979	1698	11696	3655
Poland	341	232	2859	3233
Russian Federation		117	37	72
Spain		151	293	298
United Kingdom	97	1251	20	5041
United States	22331	54608	19912	410
Others not listed	246	277	1037	1673
Total	25732	67055	70723	76637

* Imports of turkey and other birds are negligible.

** Ukrainian State Customs Committee data